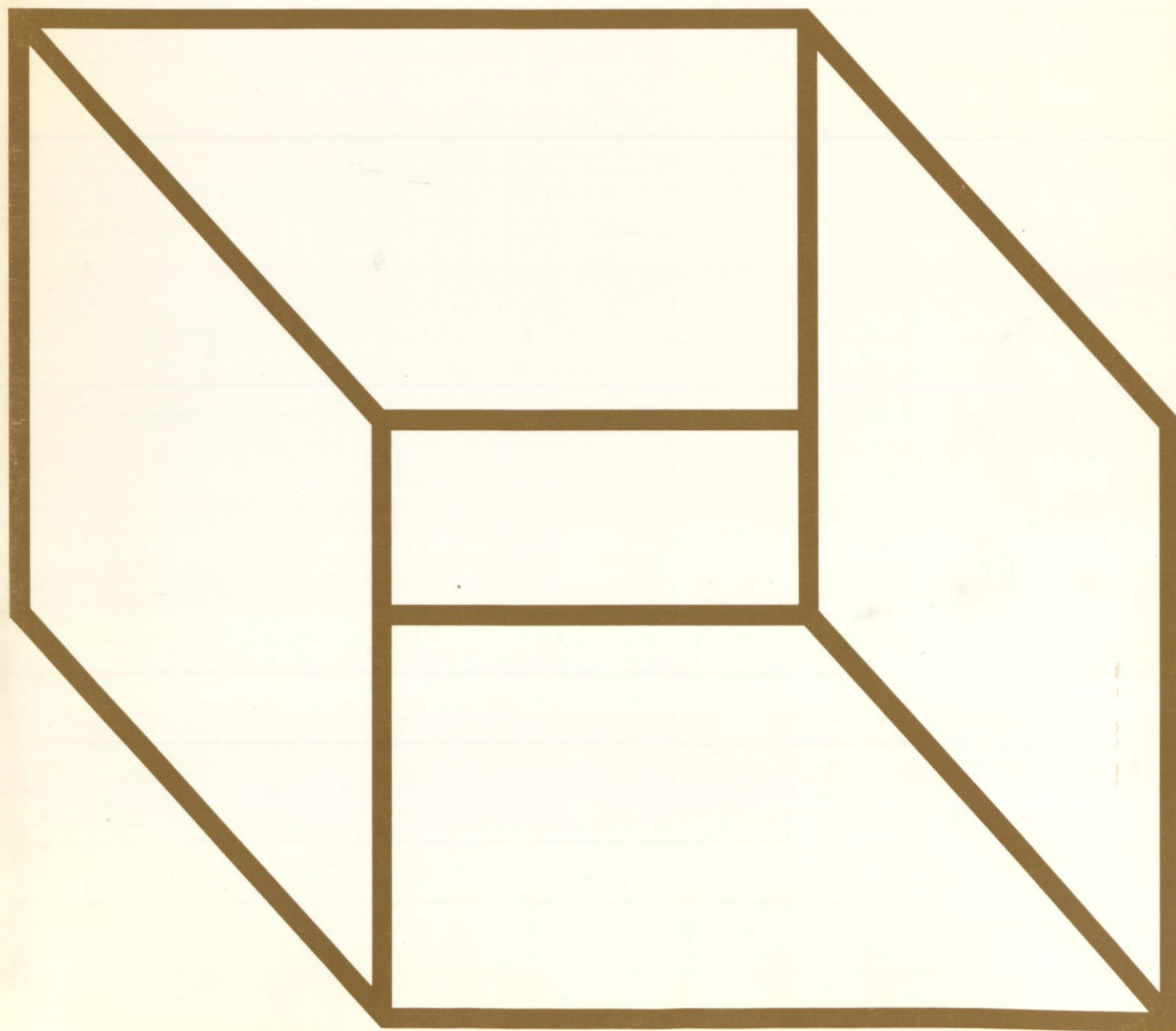


Container Corporation of America

Annual Report

1964

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Container Corporation of America

Annual Report 1964

Container Corporation of America

A Glance At The Last Two Years

	1964	1963
Sales	390 575 000	356 814 000
Tons shipped	1 524 000	1 401 000
Earnings	23 140 000	19 125 000
Earnings per common share	2.06	1.71
Per cent return on shareholders' equity	12.9	11.4
Dividends	11 237 000	10 253 000
Dividends per cent of earnings	49	54
Preferred dividends (per share)	4.00	4.00
Common dividends (per share)	1.00	.92½
Earnings retained for requirements of the business	11 903 000	8 872 000
Depreciation and depletion	17 353 000	15 831 000
Plant and paper mill additions and improvements	30 373 000	36 545 000
Working capital (current assets less current liabilities)	73 121 000	55 649 000
Taxes (federal, state, and local)	27 890 000	29 000 000
Taxes per common share	2.51	2.63
Shareholders' equity at year end	191 943 000	179 926 000
Shareholders' equity per employee	9 691	9 299

The Annual Meeting of the shareholders will be held on Tuesday, April 27, 1965. A notice of the meeting, together with a form of proxy and a proxy statement, will be mailed to shareholders on or about March 25, 1965, at which time proxies will be requested by the management.

Growth of packaging industry
reflects national economy

With growing momentum, the United States economy continued its upward surge in 1964. By year's end, the nation's 47,800,000 families had spent more than \$399 billion for automobiles, appliances, foods, drugs and other goods and services, as the Gross National Product climbed to the \$622 billion level. The packaging industry, reflecting its involvement in the production and marketing of most consumer and industrial products, reached an estimated \$13.3 billion volume, with paperboard packaging accounting for approximately \$4.6 billion.

Paperboard industry production
at record level in 1964

The domestic paperboard industry's 1964 production of 19.9 million tons set a new record for the nation, climbing 7.2 per cent over the 18.6 million ton record established in 1963. Container Corporation's domestic production of paperboard totalled 1,162,000 tons in 1964, six per cent of the industry total. Paperboard produced by Container's 14 domestic paperboard mills was used by the company's paperboard package producing facilities, which are located in the nation's principal marketing centers.

Sales reach record level
of \$390,575,000

Container Corporation of America strengthened its position of worldwide leadership in the paperboard packaging industry with a 9 per cent increase in sales.

From last year's record level of \$356,814,000, sales rose to \$390,575,000 in 1964, marking the company's seventh consecutive year of increased sales. Gains were achieved in both overseas and domestic operations.

Sales of finished packaging products accounted for \$313,372,000 or 80 per cent of total sales. This included sales of corrugated and solid fibre shipping containers, folding cartons, fibre cans, plastic packages, point-of-purchase displays, and other fabricated products. The remaining \$77,203,000 was divided among paperboard, pulp, waste paper and other products.

Earnings attain all-time
high of \$23,140,000

Net earnings reached an all-time high of \$23,140,000, an increase of 21 per cent over 1963 earnings of \$19,125,000. The 1964 earnings represent a return of 12.9 per cent on

invested capital, a rate of return which continues to be among the highest in the industry.

Because of the completion of major capital projects during 1964, an investment tax credit of \$2,150,000 was realized. However, these major capital expenditures will tend to accelerate the retirement of certain equipment. Accordingly a reserve equivalent to \$1,400,000 after related income taxes was provided to cover these impending losses. The net effect improved profits \$750,000 in 1964.

Net rises to \$2.06 per share;
common stock dividend at \$1.00

Per share earnings in 1964 were \$2.06, compared with \$1.71 per share on fewer shares outstanding at the end of the previous year. Dividends to holders of common stock amounted to \$1.00 per share in 1964, compared with \$.92½ per common share in 1963. The regular \$4.00 dividend was paid to holders of preferred stock.

At year's end, there were 11,119,922 shares of common stock outstanding. A total of 16,429 individuals held stock in the corporation. This does not include shares which were registered in the names of brokers, institutions, and corporations. Ownership of the common stock of Container Corporation is spread among individuals living in each of the 50 states, and in 16 foreign countries. In addition the common stock is held by approximately 32 mutual funds.

Profits reflect
new investments

The improvement in earnings experienced in 1964 resulted primarily from efficiencies achieved through the company's selective capital investment program during the past three years. Modernized mills and fabricating operations, completed in the last two years, made their initial contribution to corporate profits in 1964. The result was a significant improvement in earnings, despite the fact that competition remained intense and that prices of some fabricated products continued to be depressed throughout the year.

Mill modernization projects
completed in Alabama and Ohio

The new linerboard machine and related facilities completed in July at Brewton, Alabama, increased production of kraft linerboard by an annual rate of 125,000 tons.

Modernization of the pulp and paperboard mill at Circleville, Ohio, included construction of a new building and installation of a large new paperboard machine. The new machine, which produces 60,000 tons of corrugating medium per year, replaces six older machines.

Addition of a new paper and paperboard machine with an annual capacity of 25,000 tons was completed at the mill in Cali, Colombia.

These programs, completed at a cost of approximately \$30 million, were the major modernization and expansion projects in 1964. The full impact on the profitability of operations will be reflected in the coming year.

Total capital expenditures in 1964 were \$30 million, compared with \$36 million in 1963 and \$24 million in 1962. As part of the 1964 program, a new shipping container plant was built in St. Louis, and construction was begun on new container fabricating plants in Boston and Houston.

\$30,000,000 capital investment
programmed for 1965

Modernization and expansion projects now underway or contemplated in the immediate future will involve capital investment of \$30 million in 1965. Construction of a new shipping container plant and a new marketing and research center for the container division is planned for the Chicago area. The company is continuing its purchase of modern fabricating equipment for other domestic and overseas facilities.

405,700 acres of timberland
ensure CCA pulpwood supplies

To ensure a continuous supply of pulpwood for its domestic mills, Container Corporation controls 405,700 acres of timberland through fee simple ownership, long-term leases, and timber rights. Company forests are being developed to produce high yields on a continuous basis. A large portion of the pulpwood requirements of Container mills are met through purchases from independent landowners, forest farmers, and chip producers.

Delaware acquisition broadens
scope of plastics operations

The company's investment in plastics was increased in 1964 through the acquisition of the Delaware Barrel &

Drum Co., Inc. This acquisition puts Container Corporation into the business of manufacturing plastic drums, tanks, and carboys for industrial products. Delaware Barrel & Drum Company has manufacturing facilities in Wilmington and Chicago and plans to expand into other areas. The Delaware Barrel & Drum Company is included in the 1963 and 1964 figures on a pooling-of-interests basis.

Specialized services maintain
CCA leadership in packaging

While Container Corporation continues to diversify its participation in the packaging industry, it continues to maintain its position of leadership in its specialty — the design and manufacture of paperboard packaging.

Consolidation of research
keyed to customer needs

To meet and anticipate customer needs, Container Corporation maintains staffs of creative graphic designers, structural engineers, machinery development engineers, and other experts who adapt the company's basic products to the specialized packaging requirements of individual customers. The services of these experts are made available to customers at all fabricating facilities, and are supported by intensive research and development activities conducted at four research centers staffed with highly skilled specialists and equipped with modern scientific tools. The research center for corrugated and solid fibre products is located in Chicago; research for paperboard, folding cartons and plastic products is conducted at two separate centers near Valley Forge, Pennsylvania; fibre can research activities are centered in St. Louis.

This research is regarded as an investment in the future of the company, and is keyed to its marketing philosophy. In 1964, administration and direction of all divisional research activities were consolidated, to unify all research efforts aimed at identifying and satisfying the needs of customers.

Overseas operations
continue to expand

The overseas operations of Container Corporation continue to grow and to become a more substantial part of the company's strength and profitability. Last year, mills and plants operated by the company's overseas subsidiaries

accounted for 23 per cent of total sales and 21 per cent of corporate earnings.

Overseas consumption of paper increasing at rapid rate

During the past five years, while Container's domestic sales and earnings have shown steady growth, sales of overseas operations have surged up 105 per cent and earnings have increased 69 per cent. This is a reflection of the improved economies and higher living standards in the Western European and Latin American nations in which Container Corporation subsidiaries operate packaging facilities. Per capita consumption of paper, a valuable index for comparing national standards of living, has risen 18 per cent in the United States during the past decade. In this same period, it has increased dramatically in other nations in which Container Corporation has operations. West Germany's per capita consumption of paper has risen almost 80 per cent; Italy's has climbed 180 per cent; and the increase in The Netherlands has been more than 65 per cent. The rise in Latin American consumption of paper has been equally startling. Mexico's consumption has doubled; Venezuelan consumption rose more than 95 per cent; and Colombia's increased by more than 100 per cent.

European operations centered in common market nations

In Western Europe, the company's future development is closely linked to the continued prosperity of three dynamic nations in the European Economic Community — West Germany, Italy, and The Netherlands. Container Corporation subsidiaries operate 5 paperboard mills and 13 package fabricating plants in these nations. With a population of more than 170 million, the European common market is almost the size of the United States market, with a packaging potential which is only beginning to be realized.

Latin America offers exciting paperboard packaging potential

While the packaging prospects indicated by Western Europe's future growth are favorable, the potential for paperboard is even more exciting in the Latin American countries in which Container Corporation operates. Although the average income in Latin America is only one-sixth of that enjoyed by families in the United States, the

comparative levels of income, living standards, and economic development vary greatly throughout the continent. Three economies which have shown the greatest growth are those of Mexico, Colombia, and Venezuela. These are the nations in which Container Corporation's 24 Latin American operations are located.

Location of Mexican plants
favors future expansion

Mexico, which has achieved considerable political stability and is currently enjoying substantial and solid economic growth, is the site of two paperboard mills, a pulp mill, and three package fabricating facilities owned by Container Corporation. All of these operations are located in Mexico City, which is the commercial and industrial — as well as the political — capital of the country.

Brighter packaging prospects
promised by Venezuelan growth

Venezuela, location of two paperboard mills and five fabricating plants, is developing into an industrial nation in addition to maintaining its traditional role as a leading producer of oil and iron ore. Higher industrial productivity and rising family income have raised the standard of living substantially. This has helped boost the demand for packaged products, particularly among urban dwellers, who make up half of the nation's eight million inhabitants. The Venezuelan packaging operations are located in Caracas, Maracay, Valencia and Maracaibo.

Colombia's expanding economy
increases demand for packaging

Carton de Colombia, a subsidiary of Container Corporation of America, has been a significant part of the Colombian packaging scene since 1946. The company's growth during the past two decades has been consistent and rapid, reflecting the vitality of the expanding Colombian economy. A pulp mill, and a paperboard mill and seven fabricating plants, located in Barranquilla, Bogota, Cali and Medellin, are operated by Carton de Colombia. A fourth paperboard machine began operation in June at Cali. The Cali pulp mill, one of the first pulping facilities to utilize South American hardwoods, employs a special pulping process developed by the joint efforts of Container Corporation and a development agency of the Colombian gov-

ernment. All the pulp produced at the new mill is being used by the company's paperboard machines, replacing part of the pulp which formerly was imported.

Employee benefits continue
to pace the industry

In 1964, Container Corporation contributed \$2,037,000 to its stock bonus plan for the benefit of 2,115 employee members. At the end of 1964, the Container Common Stock Trust Fund owned 704,845 shares of the outstanding common stock of the company.

As part of the company's pension plan, 1,046 employees or their joint annuitants were receiving pensions at the close of 1964. A total of 1,676 employees have received pensions since the original plans were instituted. The company's group insurance plans and other programs continue to provide protection and security for employees.

\$350,000 contributed
to Container Foundation

The company made a contribution of \$350,000 to the Container Foundation in 1964. The foundation, a non-profit corporation established to aid charitable, scientific, and educational institutions, made grants totalling \$380,000 during 1964.

Two new directors
elected to board

At the June meeting of the board of directors, Thomas F. Cass and Frederick S. Crysler, both executive vice presidents of the company, were elected directors.

Donn O. Jennings and Robert E. Phinney were elected operating vice presidents of the corporation at the April meeting of the board of directors.

Richard G. Ivey resigned from the board of directors in June. Mr. Ivey came on the board with the acquisition of the California Container Corporation by CCA in 1946. His valuable contribution, as a member of the executive committee and as a director for these many years, will be missed.

Three vice presidents
retire from CCA

Three executives who have contributed greatly to the success of the company retired during the year. Harry E. Miles, senior vice president, retired following more than 40 years of service with The Mengel Company and with the con-

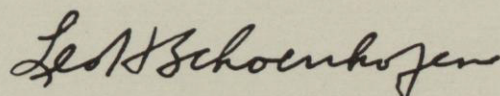
tainer division of CCA. John G. Robinson, vice president in charge of west coast operations of the container division retired. He was associated with Container Corporation since 1932. Ralph B. Busch, vice president of CCA and president of its Sefton fibre can division, retired on December 31. Since 1936, Mr. Busch has been largely responsible for the growth and success of the fibre can division of CCA.

Corporate organization strengthened in 1964

The strength of Container Corporation of America is derived from its 19,806 employees, working in an organizational structure which is unique in the industry. With the company's decentralized form of management, the general manager and his organization at each of its properties have responsibility for the profitable management of a complete business entity. This organizational structure enables the company to develop each market in depth, maintaining the flexibility of service which is necessary for success in a service industry such as packaging. This delegated responsibility also enables general managers to develop rapidly into mature and experienced businessmen, assuring the company of continuing professional management in the future.

Staff organizations in manufacturing, control, finance, sales and creative services support the local operations in each product division. These staff organizations have been strengthened in 1964, to improve communication among the various properties, and between each of these properties and the corporate headquarters. The progress which the company has experienced in 1964 has been the result of the dedication of all personnel.

Continuation of its relatively heavy schedule of capital investment, supported by continuing emphasis on the recruitment and development of outstanding personnel, will enable the company to strengthen its position of leadership in the industry in 1965.

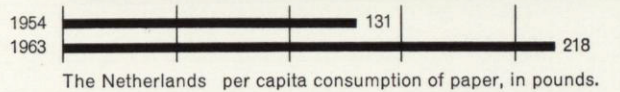


Leo H. Schoenhofen,
President and Chief Executive Officer

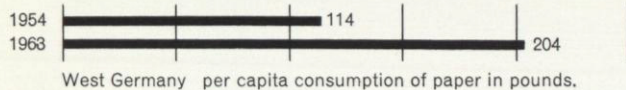
Paperboard around the world

The amount of paper and paperboard used by the average consumer is an important barometer which measures standards of living around the world. And the rate at which per capita consumption of paper increases from year to year provides an indication of economic growth rates. Worldwide annual consumption of paper and paperboard now averages almost 63 pounds per person, and is currently rising at the rate of about one and three-fourths pounds per person per year. During the past ten years, world consumption of paper and paperboard has risen 37 per cent, or approximately 17 pounds per person. While these international averages are encouraging, growth figures become more meaningful when each continent, or each nation, is viewed separately. The North American continent consumes almost half of the world's paper. The United States, which accounted for approximately one third of the increase in world consumption during the past decade, today uses about 44 per cent of the world's paper. Use of paper and paperboard in Western Europe has risen from 87 to 153 pounds per person since 1954. The rate of growth in many Latin American nations during the last ten years has been even more phenomenal, indicating upward economic trends in these countries. Populations are expanding. Living standards are rising. And the use of paper — and of paperboard packaging — continues to grow. The following pages illustrate the volume — as well as the nature — of the paperboard packaging used by typical families in each of the seven nations in which Container Corporation of America operates packaging facilities. They also indicate the dramatic rate of growth now being experienced by some of these nations, underscoring the tremendous packaging potential which lies ahead.

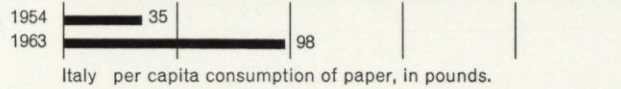
During the past ten years, the expanding economy of The Netherlands has increased per capita consumption of paper and paperboard by more than 65 per cent. Container Corporation will participate in the future growth of packaging in The Netherlands through its subsidiary, N. V. "Mercurius" Golfcartonindustrie.



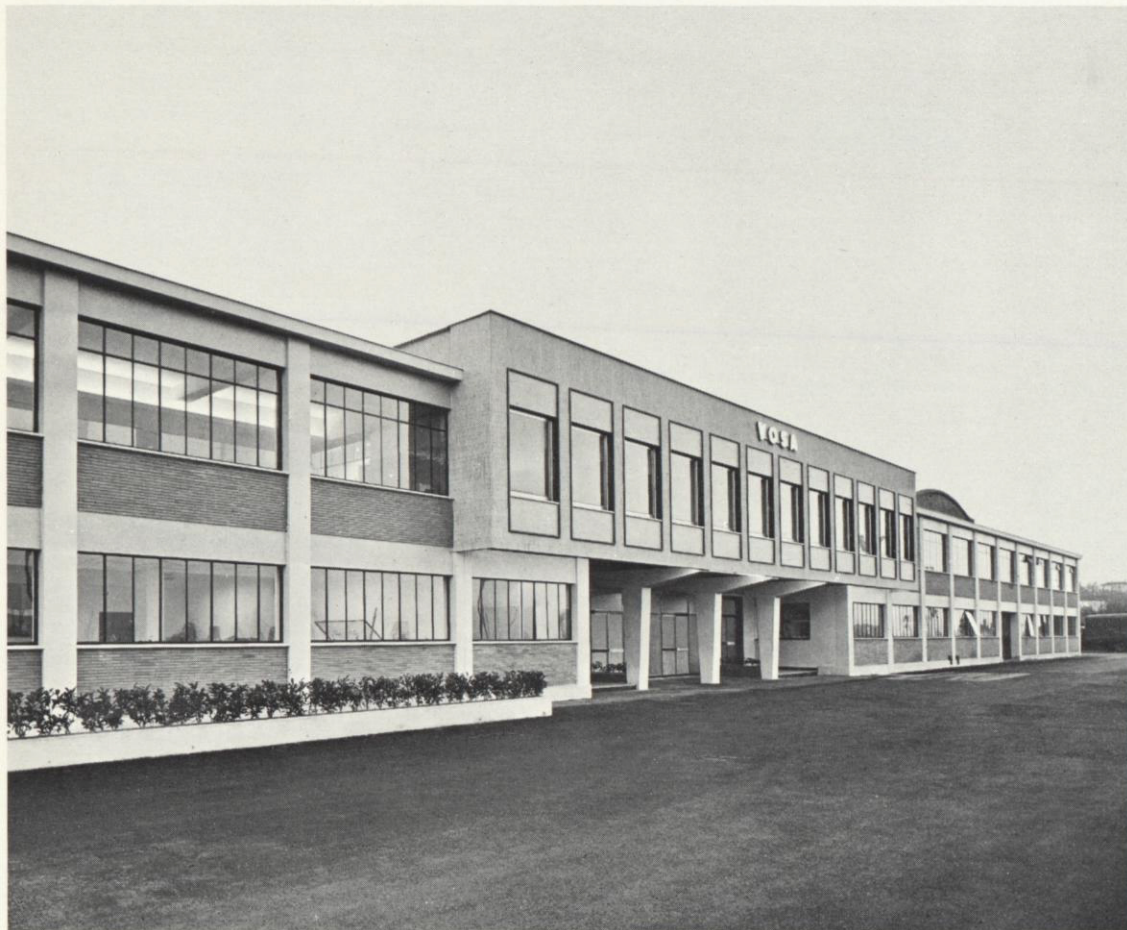
The five per cent annual growth rate of the West German economy has increased per capita consumption of paper and paperboard by nearly 80 per cent in the past ten years. Four German paperboard mills and nine fabricating plants are operated by CCA subsidiaries: Europa Carton, A.G. and Bremer Papier und Wellpappenfabrik, A.G.



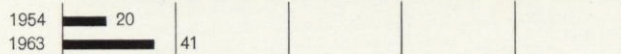
Rising standards of living in Italy have increased per capita consumption of paper and paperboard by 180 per cent since 1954, establishing the foundation for continued growth in the future. Container Corporation is prepared to share in this growth, through three packaging facilities and a paperboard mill operated by Cartotecnica Europa Carton, Europa Carton Italiana, and VOSA, S.p.A.



Modern shipping container plant at Novi Ligure, Italy, is one of 18 production facilities Container Corporation's subsidiaries operate in Western Europe. These facilities include five paperboard mills and 13 fabricating plants which manufacture folding cartons, fibre cans and shipping containers.



The emerging middle class in Mexico is increasing the demand for packaged products, and is steadily raising levels of paper and paperboard consumption, which has doubled in the past decade. Center of this growth is Mexico City, site of two paperboard mills and three packaging facilities operated by two Container subsidiaries: Cartoenvases de Mexico, S.A.; and Carton y Papel de Mexico, S.A.

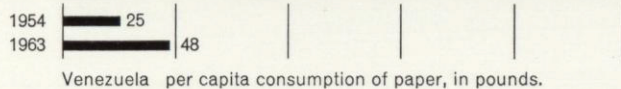


Mexico per capita consumption of paper, in pounds.

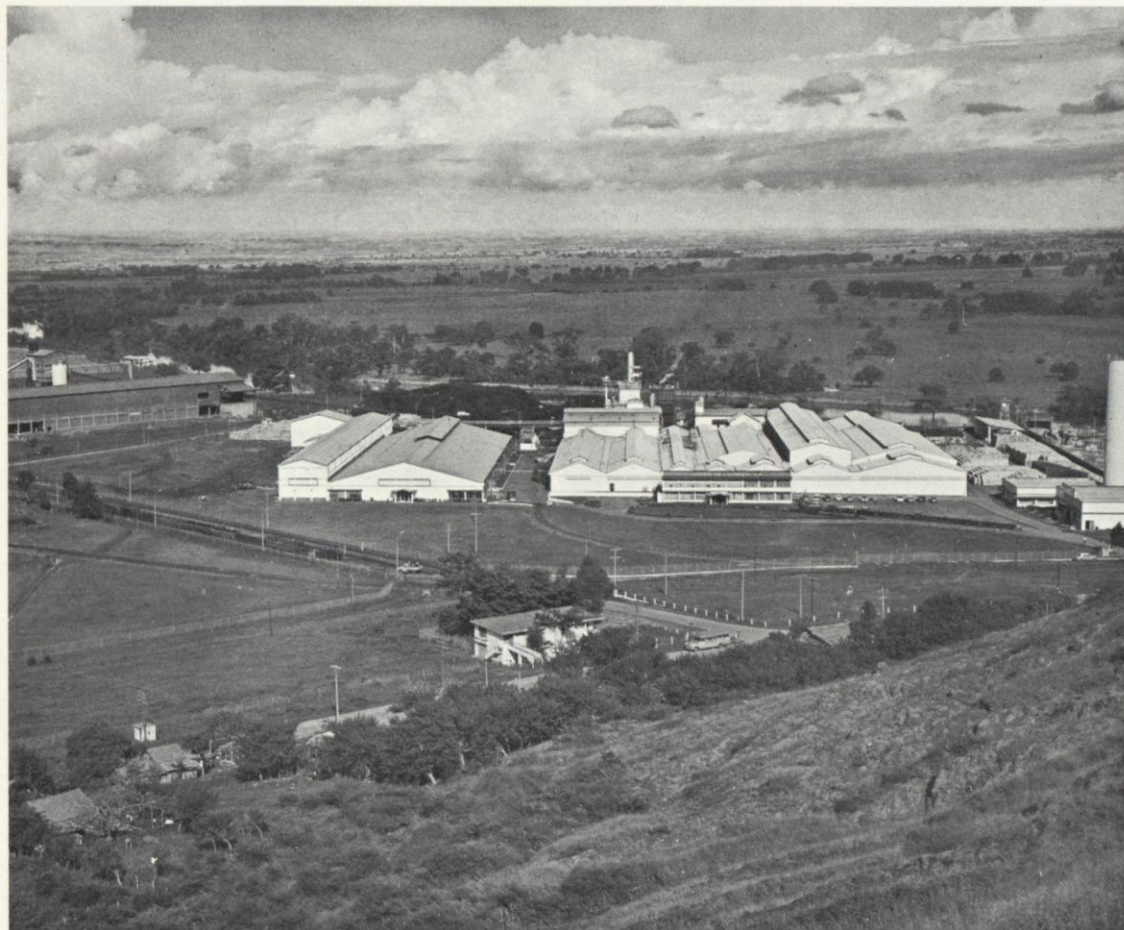
Although the Colombian middle class is relatively small, increasing numbers of wage earners and small businessmen today are major factors in a growing market for packaged consumer products. Carton de Colombia, S.A., and Celulosa y Papel de Colombia, S.A., CCA subsidiaries, continue to keep pace with the nation's growth, and today operate a modern pulp and paperboard mill and seven fabricating plants in four of Colombia's fastest growing cities.



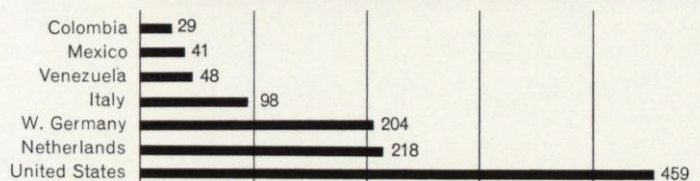
Increased industrial production and rising family incomes have substantially increased the demand for packaged products in Venezuela, location of two paperboard mills and five packaging plants operated by five CCA subsidiaries: Carton de Venezuela, S.A.; Cartones Nacionales, S.A.; Corrugadora de Carton, S.A.; Fibras Industriales de Venezuela, S.A.; and Union Grafica, S.A.



Packaging complex at Cali, Colombia includes modern pulp and paperboard mills and package fabricating facilities. Container Corporation's Latin American operations include 21 paperboard mills and fabricating plants which produce folding cartons, shipping containers, fibre cans and paper bags for manufacturing and processing industries in Colombia, Mexico and Venezuela.

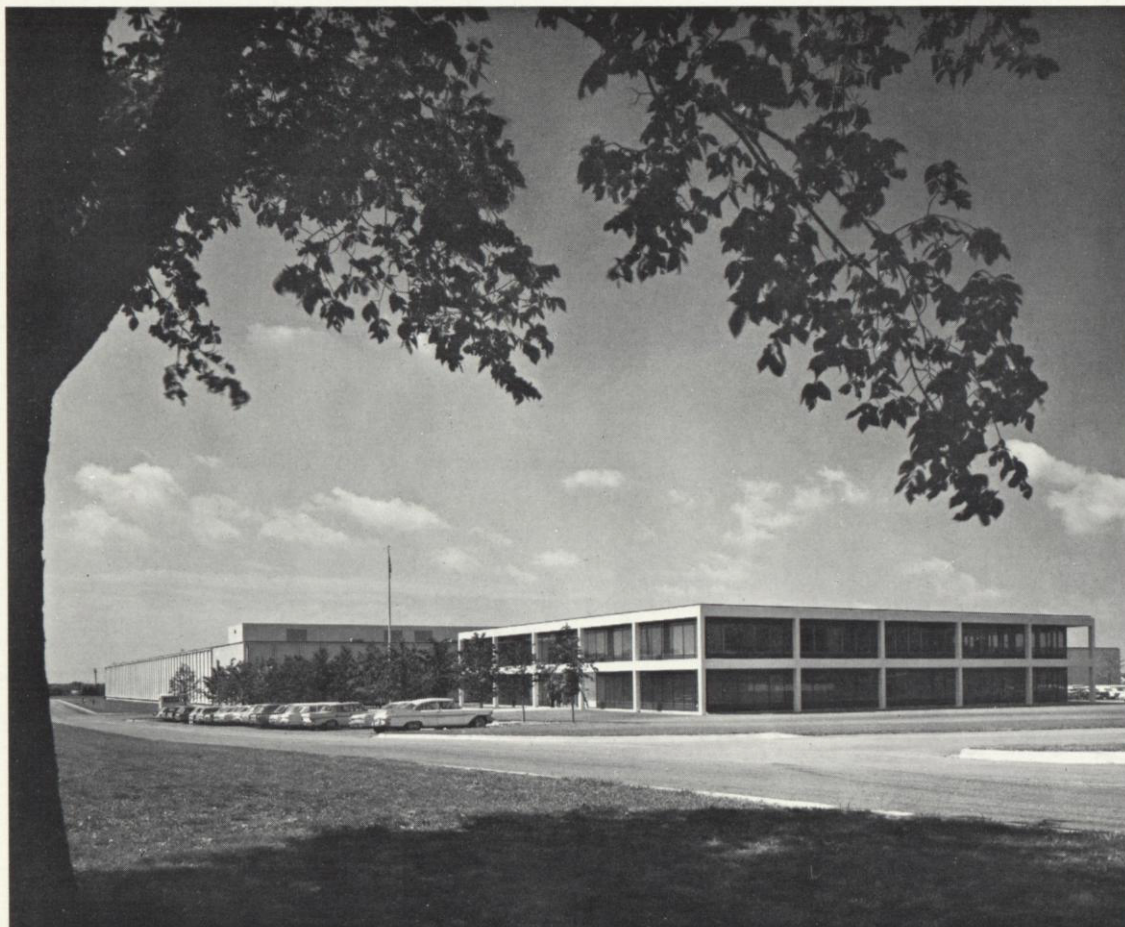


Packaging potential of European and Latin American nations in which Container subsidiaries operate packaging facilities is indicated by comparing current levels of paper use in these nations with U.S. consumption. While per capita consumption continues rising in all of these nations, it still lags far behind that of the United States, which continues its pattern of steady growth.



Per capita consumption of paper, 1963, in pounds.

Modern CCA plant at Carol Stream, near Chicago, is the largest folding carton fabricating plant in the country. Container Corporation's 73 domestic operations include paperboard mills and package fabricating plants which produce corrugated and solid fibre shipping containers, folding cartons, fibre cans, set up boxes, and plastics packaging for consumer and industrial products.



Packaging facilities of Container Corporation of America
are located in key cities of the United States, Latin America, and Western Europe:

UNITED STATES

FOLDING CARTONS

Arlington, Texas
Boston, Mass.
Chattanooga, Tenn.
Chicago (Carol Stream), Ill.
Fort Wayne, Ind.
Greensboro, N.C.
Los Angeles, Calif.
Philadelphia, Pa.
Renton, Wash.
Santa Clara, Calif.
Solon, Ohio
Valley Forge, Pa.

SHIPPING CONTAINERS

Anderson, Ind.
Baltimore, Md.
Boston, Mass.
Chattanooga, Tenn.
Chicago, Ill.
Cincinnati, Ohio
Dolton, Ill.
Fernandina, Fla.
Fort Worth, Texas
Fresno, Calif.
Fulton, New York
Houston, Texas
Knoxville, Tenn.
Los Angeles, Calif.
Louisville, Ky.
Memphis, Tenn.
Muskogee, Okla.
Nashville, Tenn.
New Brunswick, N.J.
Oakland, Calif.
Philadelphia, Pa.
Portland, Oregon

Rock Island, Ill.
Seattle, Wash.
Sioux City, Iowa
St. Louis, Mo.
Winston-Salem, N.C.

DISPLAYS

Chicago, Ill.
Cincinnati, Ohio
New Brunswick, N.J.
Oakland, Calif.
Rock Island, Ill.

FIBRE CANS

Dallas, Texas
Jamesburg, N.J.
Jeffersonville, Ind.
Los Angeles, Calif.
New Orleans, La.
Piqua, Ohio
Portland, Ore.
San Jose, Calif.
St. Louis, Mo.

PLASTICS

Chicago, Ill. (2)
Totowa, N.J.
Wilmington, Del.

PAPERBOARD MILLS

Brewton, Ala.
Carthage, Ind.
Chattanooga, Tenn.
Chicago, Ill. (2)
Cincinnati, Ohio
Circleville, Ohio
Fernandina, Fla.
Los Angeles, Calif.
Philadelphia, Penn.
Santa Clara, Calif.
Tacoma, Wash.

Wabash, Ind.
Wilmington, Del.

PAPER STOCK

Baltimore, Md.
Chicago, Ill.
Detroit, Mich.
Jersey City, N.J.
Kalamazoo, Mich.
Los Angeles, Calif.
Philadelphia, Pa.

LATIN AMERICA

FOLDING CARTONS

Cali, Colombia
Mexico City, Mexico
Caracas, Venezuela
Valencia, Venezuela

SHIPPING CONTAINERS

Barranquilla, Colombia
Bogota, Colombia
Cali, Colombia
Medellin, Colombia
Caracas, Venezuela
Maracaibo, Venezuela
Maracay, Venezuela
Mexico City, Mexico

FIBRE CANS

Cali, Colombia
Mexico City, Mexico

MULTIWALL BAGS

Cali, Colombia

PAPERBOARD MILLS

Cali, Colombia (2)
Mexico City, Mexico (2)
Caracas, Venezuela
Valencia, Venezuela

PAPER STOCK

Colombia

Mexico

Venezuela

WESTERN EUROPE

FOLDING CARTONS

Augsburg, West Germany
Bremen, West Germany
Hamburg, West Germany
Orsenigo (Como), Italy

SHIPPING CONTAINERS

Düsseldorf, West Germany
Hamburg, West Germany
Heppenheim, West Germany
Lübbecke, West Germany
Neuburg, West Germany
Zwiesel, West Germany
Novi Ligure, Italy
Soest, Netherlands

FIBRE CANS

Orsenigo (Como), Italy

PAPERBOARD MILLS

Ailing, West Germany
Hoya, West Germany
Lübbecke, West Germany
Viersen, West Germany
Milan, Italy

PAPER STOCK

Hamburg, West Germany

Container Corporation of America and Subsidiaries

Consolidated Balance Sheets—December 31, 1964 and 1963

Assets	1964	1963
Current assets		
Cash	\$ 10 486 000	\$ 10 415 000
Marketable securities	27 441 000	18 757 000
Receivables, less reserves	35 673 000	34 535 000
Inventories—priced at the lower of average cost or market	41 050 000	36 575 000
Prepaid expenses	3 828 000	2 944 000
Total current assets	118 478 000	103 226 000
Cash and securities set aside for plant additions and improvements	—	10 384 000
Investments and advances, at cost	2 830 000	4 035 000
Plant and equipment, at cost		
Land and timberland, less depletion	17 114 000	15 879 000
Buildings, machinery, equipment, etc.	322 832 000	299 771 000
Less—Reserves for depreciation	147 285 000	131 972 000
	192 661 000	183 678 000
Deferred charges	3 514 000	4 863 000
	\$317 483 000	\$306 186 000

Notes to Financial Statements:

(1) In 1964 the company issued 134,549 shares of common stock in exchange for the assets, liabilities and business of Delaware Barrel & Drum Co., Inc., which is now operated as a subsidiary. This transaction was accounted for on a pooling-of-interests basis, and accordingly, the consolidated financial statements include the accounts of Delaware for all of 1963 and 1964.

(2) The method of accounting for the investment credit was changed in 1964, so that the provision for income taxes has been reduced and net income for the year increased by the investment credit to be deducted from 1964 income taxes. In 1962 and 1963, the company elected to reflect the investment credit in income over the productive life of the related equipment. The company will continue to amortize the 1962 and 1963 investment credits; the unamortized balance (\$1,252,000) is included in reserves for depreciation. As a result of this change in accounting method, net income for 1964 has been increased \$2,150,000. However, this credit arose in part as a result of investment in new equipment which will accelerate the retirement of other equipment from active service. Accordingly, a reserve of \$2,800,000 (\$1,400,000 after related Federal income taxes) has been provided to cover the related losses on early retirement.

Liabilities	1964	1963
Current liabilities		
Short-term loans and current portion of long-term debt	\$ 4 258 000	\$ 9 796 000
Accounts payable and accrued expenses	27 281 000	24 562 000
Accrued income taxes	13 818 000	13 219 000
Total current liabilities	45 357 000	47 577 000
Deferred income taxes and other liabilities	8 823 000	8 661 000
Long-term debt		
3.30% sinking fund debentures, due 1980, less current portion (Note 3)	25 693 000	27 140 000
4.40% sinking fund debentures, due 1987 (Note 3)	24 957 000	25 000 000
Other	12 693 000	10 347 000
	63 343 000	62 487 000
Minority interest in subsidiaries	8 017 000	7 535 000
Capital		
4% cumulative preferred stock, \$100 par value; authorized and issued 43,000 shares, less 1,303 shares held in treasury at December 31, 1964	4 171 000	5 509 000
Common stock, \$5 par value; authorized 15,000,000 shares, issued 11,131,522 shares at December 31, 1964 (Note 4)	55 658 000	55 222 000
Shareholders' investment in excess of par value	7 835 000	6 449 000
Earnings retained for requirements of the business (Note 3)	124 649 000	112 746 000
Deduct—Cost of common stock (11,600 shares) held in treasury	370 000	—
Shareholders' equity	191 943 000	179 926 000
	\$317 483 000	\$306 186 000

(3) Sinking fund requirements for the 3.30% sinking fund debentures are \$1,400,000 annually through 1979 and \$8,400,000 in 1980 and for the 4.40% sinking fund debentures are \$1,000,000 annually beginning in 1968 through 1986 and \$6,000,000 in 1987. Under the terms of the more restrictive of the debenture indentures and certain other restrictions, approximately \$73,000,000 of the consolidated earnings retained at December 31, 1964, were restricted as to cash dividends on and acquisitions of capital stock.

(4) Under the stock option plan for officers and key employees, options to purchase 247,280 shares were outstanding at January 1, 1964. During the year, options for 86,763 shares were exercised and 680 cancelled. At December 31, 1964, options to purchase 159,837 shares at prices ranging from \$18.19 to \$27.88 per share were outstanding. Of this total, 152,627 were exercisable at December 31, 1964 and the remainder become exercisable in 1965. Unexercised options expire by 1970. The privilege of granting options expired on January 1, 1961.

In addition, as a result of the pooling of interests with Delaware Barrel & Drum Co., Inc., options to purchase 3,871 shares, at prices ranging from \$19.60 to \$31.15, were outstanding at December 31, 1964 and options for 328 shares were exercised during the year.

Container Corporation of America and Subsidiaries

Statements of Consolidated Income

For the Years Ended December 31, 1964 and 1963

	1964	1963
Net sales	\$390 575 000	\$356 814 000
Cost of sales	307 260 000	282 466 000
Gross income from operations	83 315 000	74 348 000
Selling, administrative and research expenses	35 078 000	32 396 000
Income from operations	48 237 000	41 952 000
Provision for estimated losses on future retirement of obsolete equipment (Note 2)	2 800 000	—
Other deductions, net	3 337 000	2 580 000
Income before income taxes	42 100 000	39 372 000
Provision for income taxes	18 960 000	20 247 000
Net income for the year	\$23 140 000	\$19 125 000

Statements of Consolidated Shareholders' Investment in Excess of Par Value

and Consolidated Earnings Retained for Requirements of the Business

For the Year Ended December 31, 1964

	Shareholders' Investment in Excess of Par Value	Earnings Retained for Requirements of the Business
Balance at December 31, 1963	\$ 6 026 000	\$111 752 000
Amount arising from pooling of interests (Note 1)	423 000	994 000
Balance at December 31, 1963 (combined)	6 449 000	112 746 000
Net income for the year	—	23 140 000
Excess of selling price over par value of common stock sold under stock option plan (87,091 shares)	1 363 000	—
Excess of par value over cost of preferred stock retired for sinking fund (15,000 shares)	23 000	—
Cash dividends —		
Preferred stock (\$4.00 per share)	—	182 000
Common stock (\$1.00 per share)	—	11 055 000
Balance at December 31, 1964 (Note 3)	\$7 835 000	\$124 649 000

The accompanying notes are an integral part of these statements.

Consolidated application of funds statement

Funds were provided from the following sources

Earnings for the year	\$23 140 000	
Provision for depreciation and depletion	17 353 000	
Provision for estimated losses on future retirement of obsolete equipment	2 800 000	43 293 000
Decrease in cash and securities set aside for plant additions		10 384 000
Proceeds from exercise of stock options		1 799 000
Decrease in deferred charges		1 349 000
Decrease in investments and advances		1 205 000
Increase in long-term debt		856 000
Other		638 000
Total funds provided		59 524 000

Funds were expended for the following

Plant and equipment		
Additions and improvements	30 373 000	
Less net book value of sales and retirements	3 185 000	27 188 000
Net property from consolidation of Celulosa y Papel de Colombia		1 833 000
Dividends		
4% cumulative preferred stock	182 000	
Common stock	11 055 000	11 237 000
Purchase of capital stock		
4% cumulative preferred stock	1 424 000	
Common stock	370 000	1 794 000
Total funds expended		42 052 000
Resulting in an increase in working capital of		\$17 472 000

Auditors' Opinion

To the Shareholders of Container Corporation of America:

We have examined the consolidated balance sheet of CONTAINER CORPORATION OF AMERICA (a Delaware corporation) and subsidiaries as of December 31, 1964, and the related statements of consolidated income, consolidated shareholders' investment in excess of par value, consolidated earnings retained for requirements of the business and consolidated application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We had made a similar examination for the preceding year.

In our opinion, the financial statements described above present fairly the financial position of Container Corporation of America and subsidiaries as of December 31, 1964, and the results of their operations and application of funds for the year then ended, in conformity with generally accepted accounting principles applied, except for the change in method of accounting for the investment credit referred to in Note 2, on a basis consistent with that of the preceding year.

Chicago, Illinois, January 28, 1965

ARTHUR ANDERSEN & CO.

Container Corporation of America and Subsidiaries

Domestic And Overseas Net Assets—December 31, 1964 And 1963 (In thousands of dollars)

	Consolidated		Domestic		Overseas	
	1964	1963	1964	1963	1964	1963
Current Assets:						
Cash and marketable securities	37 927	29 172	32 741	24 855	5 186	4 317
Receivables, less reserves	35 673	34 535	25 803	24 399	9 870	10 136
Inventories	41 050	36 575	27 829	24 066	13 221	12 509
Prepaid expenses	3 828	2 944	2 935	1 779	893	1 165
Total current assets	118 478	103 226	89 308	75 099	29 170	28 127
Cash and securities set aside for plant additions	—	10 384	—	10 384	—	—
Investments and advances	2 830	4 035	2 009	2 164	821	1 871
Plant and equipment, less reserves	192 661	183 678	139 220	132 573	53 441	51 105
Deferred charges	3 514	4 863	2 584	4 392	930	471
Total assets	317 483	306 186	233 121	224 612	84 362	81 574
Current Liabilities:						
Short-term loans & current portion of long-term debt	4 258	9 796	99	279	4 159	9 517
Accounts payable and accrued expenses	27 281	24 562	20 668	17 956	6 613	6 606
Accrued income taxes	13 818	13 219	9 637	9 960	4 181	3 259
Total current liabilities	45 357	47 577	30 404	28 195	14 953	19 382
Deferred income taxes and other liabilities	8 823	8 661	6 520	7 340	2 303	1 321
Long-term debt	63 343	62 487	52 005	53 408	11 338	9 079
Total liabilities	117 523	118 725	88 929	88 943	28 594	29 782
Total net assets	199 960	187 461	144 192	135 669	55 768	51 792
Minority interest in subsidiaries	8 017	7 535	—	—	8 017	7 535
Shareholders' equity	191 943	179 926	144 192	135 669	47 751	44 257

Domestic And Overseas Income Accounts For The Years 1964 And 1963 (In thousands of dollars)

	Consolidated		Domestic		Overseas	
	1964	1963	1964	1963	1964	1963
Net sales	390 575	356 814	299 864	277 954	90 711	78 860
Cost of sales	307 260	282 466	237 106	219 376	70 154	63 090
Gross income from operations	83 315	74 348	62 758	58 578	20 557	15 770
Selling, administrative and research expenses	35 078	32 396	28 270	26 306	6 808	6 090
Income from operations	48 237	41 952	34 488	32 272	13 749	9 680
Other deductions, net	3 337	2 580	316	422	3 021*	2 158*
Income before provisions for future retirement losses and income taxes	44 900	39 372	34 172	31 850	10 728	7 522
Provision for estimated losses on future retirement of obsolete equipment	2 800†	—	2 800†	—	—	—
Provision for income taxes	18 960	20 247	13 032	16 107	5 928	4 140
Net income for the year	23 140	19 125	18 340	15 743	4 800	3 382

*Includes deduction for minority interest of \$1,148,000 in 1964 and \$1,204,000 in 1963. †See Note 2 to financial statements.

Distribution of sales dollars according to product classifications

Corrugated and solid fibre shipping containers	179 116 000	46%
Folding cartons, fibre cans and plastic products	134 256 000	34%
Paperboard, pulp, waste paper and other	77 203 000	20%
Net sales	390 575 000	100%

Quarterly earnings per share on common stock outstanding

	1964	1963
1st Quarter	.47	.39
2nd Quarter	.55	.43
3rd Quarter	.51	.42
4th Quarter	.53*	.47*
Total	2.06	1.71

*Fourth quarter earnings include a year-end adjustment credit of 5 cents per share for 1964 compared with 7 cents for 1963.

Dividends disbursed in 1964 were as follows:

Preferred Stock		Common Stock	
February 28	1.00	February 25	.25
June 1	1.00	May 25	.25
September 1	1.00	August 25	.25
December 1	1.00	November 25	.25
Total	4.00		1.00



Finished Product Shipped (In Thousands of Tons)

Mill Production (In Thousands of Tons)

Container Corporation of America and Subsidiaries

Earnings Statements for Ten Year Period Ended December 31, 1964

	1964	1963
Sales	390 575 000	356 814 000
Cost of Sales	307 260 000	282 466 000
Gross earnings	83 315 000	74 348 000
Selling, administrative and research expenses	35 078 000	32 396 000
Earnings from operations	48 237 000	41 952 000
Other deductions, <i>income</i> , net	6 137 000*	2 580 000
Earnings before income taxes	42 100 000	39 372 000
Provision for income taxes	18 960 000	20 247 000
Net earnings for the year	23 140 000	19 125 000
Depreciation and depletion	17 353 000	15 831 000
Earnings per share of common stock	2.06	1.71
Return on Shareholders' equity	12.9%	11.4%

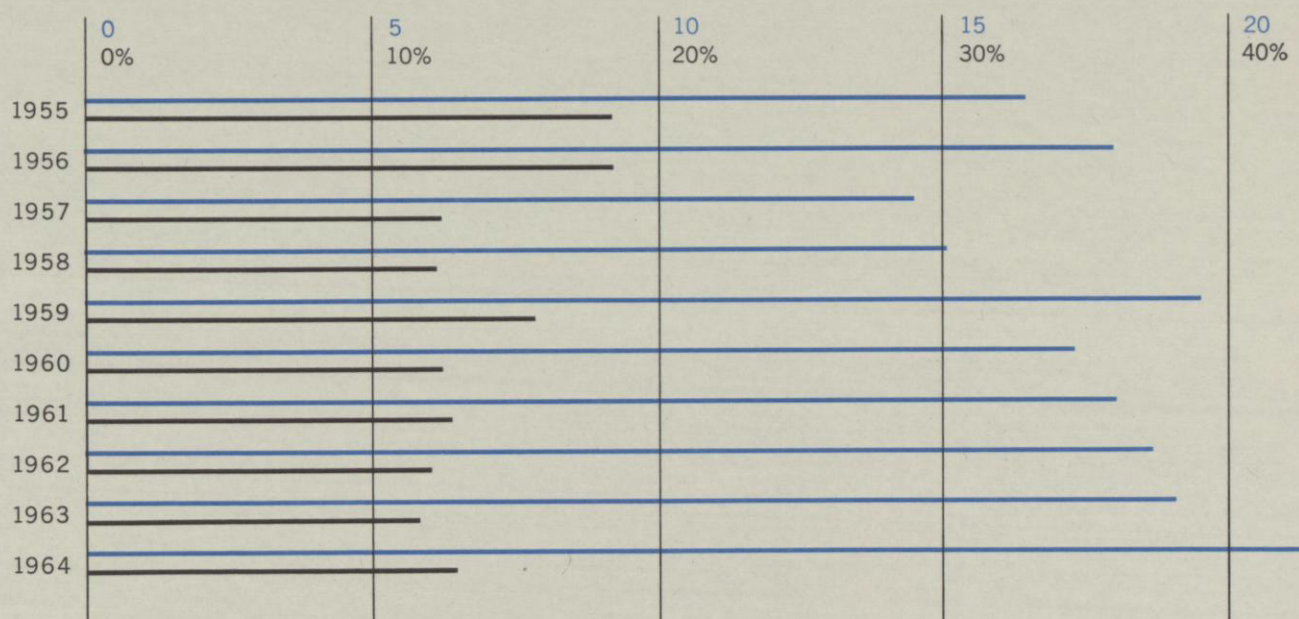
Record of Dividends for Ten Year Period Ended December 31, 1964

Total dividends	11 237 000	10 253 000
Dividends paid per share		
Preferred stock	4.00	4.00
Common stock	1.00	.92½

Note: Overseas subsidiaries included since 1958.

*See Note 2 to financial statements.

†Excludes non-recurring earnings of \$1,894,000 or 18¢ per share.



Net Income in Millions of Dollars

Percent Return on Shareholders' Investment

1961	1960	1959	1958	1957	1956	1955
30 299 000	20 138 000	16 425 000	19 005 000	16 865 000	34 456 000	36 756 000
29 315 000	28 120 000	24 557 000	22 643 000	15 600 000	15 078 000	14 634 000
30 979 000	32 430 000	31 725 000	29 680 000	24 232 000	22 252 000	23 522 000
3 341 000	2 644 000	3 343 000	3 206 000	2 314 000	2 267 000	2 254 000
93 934 000	83 332 000	76 050 000	74 534 000	59 011 000	74 053 000	77 166 000
—	—	—	—	—	16 754 000	25 000 000
3 035 000	2 529 000	4 815 000	2 286 000	12 806 000	11 942 000	6 958 000
14 281 000	12 182 000	10 721 000	10 622 000	8 927 000	8 436 000	8 702 000
247 860 000	233 654 000	215 252 000	200 527 000	159 784 000	125 651 000	109 289 000
105 415 000	95 166 000	84 043 000	74 365 000	62 835 000	58 086 000	55 654 000
3 709 000	3 464 000	3 316 000	3 273 000	3 103 000	1 657 000	1 559 000
257 404 000	239 995 000	226 111 000	216 877 000	180 796 000	180 407 000	173 020 000
8 739 000	6 042 000	8 246 000	15 020 000	—	—	—
23 717 000	20 765 000	19 592 000	18 228 000	12 506 000	11 222 000	11 832 000
15 184 000	14 254 000	12 704 000	11 560 000	12 576 000	17 363 000	19 115 000
47 640 000	41 061 000	40 542 000	44 808 000	25 082 000	28 585 000	30 947 000
3 844 000	3 254 000	2 509 000	1 715 000	276 000	—	—
31 359 000	33 600 000	34 947 000	35 000 000	35 000 000	35 000 000	35 000 000
—	—	—	—	—	—	—
11 332 000	9 979 000	4 112 000	1 259 000	550 000	700 000	850 000
7 036 000	6 689 000	6 816 000	6 308 000	666 000	645 000	6 782 000
6 108 000	6 431 000	6 733 000	7 007 000	7 297 000	7 341 000	7 892 000
53 552 000	53 365 000	52 778 000	52 564 000	52 545 000	52 544 000	25 225 000
3 010 000	2 403 000	686 000	59 000	—	—	19 914 000
93 523 000	83 213 000	76 988 000	68 157 000	59 380 000	55 592 000	46 410 000
—	—	—	—	—	—	—
257 404 000	239 995 000	226 111 000	216 877 000	180 796 000	180 407 000	173 020 000
156 193 000	145 412 000	137 185 000	127 787 000	119 222 000	115 477 000	99 441 000
14.01	13.02	12.36	11.49	10.65	10.29	9.07
46 294 000	42 271 000	35 508 000	29 726 000	33 929 000	45 468 000	46 219 000
1.97 to 1	2.03 to 1	1.88 to 1	1.66 to 1	2.35 to 1	2.59 to 1	2.49 to 1

Container Corporation of America and Subsidiaries

Year-End Balance Sheets for Ten Year Period Ended December 31, 1964

Assets

	1964	1963	1962
Cash and marketable securities	37 927 000	29 172 000	27 735 000
Receivables less reserves	35 673 000	34 535 000	30 364 000
Inventories	41 050 000	36 575 000	33 187 000
Prepaid expenses	3 828 000	2 944 000	3 121 000
Total current assets	118 478 000	103 226 000	94 407 000
Cash and securities set aside for plant additions and improvements	—	10 384 000	23 939 000
Investments and advances	2 830 000	4 035 000	3 479 000
Land and timberland	17 114 000	15 879 000	14 696 000
Buildings, machinery and equipment	322 832 000	299 771 000	268 592 000
Reserves for depreciation	147 285 000	131 972 000	118 870 000
Deferred charges	3 514 000	4 863 000	4 385 000
	317 483 000	306 186 000	290 628 000

Liabilities

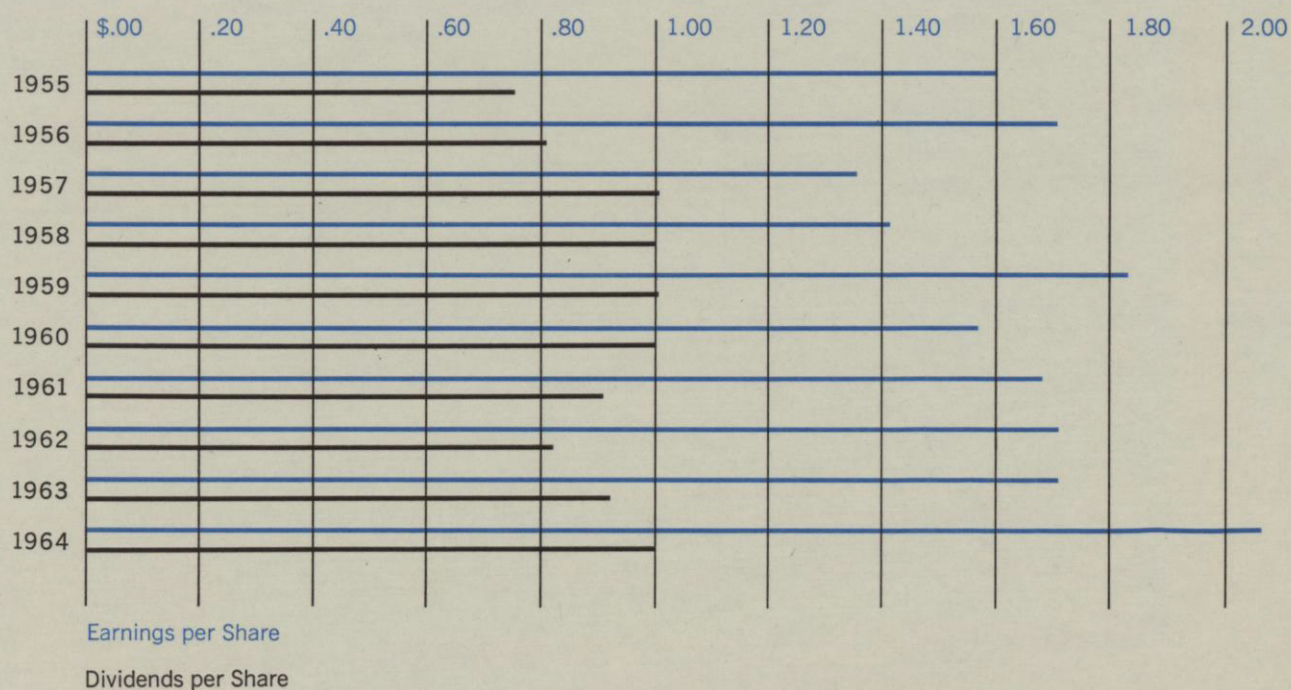
Short-term loans and current portion of long-term debt	4 258 000	9 796 000	8 606 000
Accounts payable and accrued expenses	27 281 000	24 562 000	23 663 000
Accrued income taxes	13 818 000	13 219 000	12 839 000
Total current liabilities	45 357 000	47 577 000	45 108 000
Deferred income taxes and other liabilities	8 823 000	8 661 000	6 879 000
3.3% debentures, due 1980	25 693 000	27 140 000	29 861 000
4.4% debentures, due 1987	24 957 000	25 000 000	25 000 000
Other long-term debt	12 693 000	10 347 000	10 076 000
Minority interest in subsidiaries	8 017 000	7 535 000	7 230 000

Capital

Preferred stock, less treasury stock and sinking fund provision	4 171 000	5 509 000	5 734 000
Common stock	55 658 000	55 222 000	53 800 000
Investment in excess of par value	7 835 000	6 449 000	3 789 000
Earnings retained	124 649 000	112 746 000	103 151 000
Common stock held in treasury	370 000	—	—
	317 483 000	306 186 000	290 628 000
Shareholders' equity	191 943 000	179 926 000	166 474 000
Investment per common share	16.89	15.79	14.94
Working capital	73 121 000	55 649 000	49 299 000
Current ratio	2.61 to 1	2.17 to 1	2.09 to 1

Note: Overseas subsidiaries included since 1958.

1962	1961	1960	1959	1958	1957	1956	1955
343 045 000	330 098 000	327 262 000	322 287 000	289 600 000	256 116 000	276 009 000	258 463 000
272 596 000	262 412 000	260 954 000	255 218 000	234 162 000	205 421 000	217 185 000	203 429 000
70 449 000	67 686 000	66 308 000	67 069 000	55 438 000	50 695 000	58 824 000	55 034 000
30 847 000	28 796 000	29 476 000	26 605 000	23 859 000	21 468 000	21 948 000	20 517 000
39 602 000	38 890 000	36 832 000	40 464 000	31 579 000	29 227 000	36 876 000	34 517 000
1 312 000	2 082 000	1 421 000	1 060 000	399 000	563 000	1 055 000	494 000
38 290 000	36 808 000	35 411 000	39 404 000	31 180 000	29 790 000	37 931 000	35 011 000
19 620 000	18 510 000	18 335 000	19 765 000	16 100 000	15 200 000	19 700 000	18 600 000
18 670 000	18 298 000†	17 076 000	19 639 000	15 080 000	14 590 000	18 231 000	16 411 000
14 772 000	13 467 000	12 829 000	11 703 000	10 741 000	6 756 000	6 060 000	5 686 000
1.72	1.68†	1.57	1.83	1.41	1.36	1.71	1.59
12.0%	12.6%	12.4%	15.4%	12.2%	12.6%	18.3%	18.4%
9 042 000	9 882 000	10 851 000	10 808 000	10 797 000	10 801 000	8 767 000	7 824 000
4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
.82½	.90	1.00	1.00	1.00	1.00	.81¼	.75



Container Corporation of America
38 South Dearborn Street, Chicago

Directors:

Thomas F. Cass, Executive Vice President, Chicago, Illinois
Frederick S. Crysler, Executive Vice President, Chicago, Illinois
Wesley M. Dixon,* Chicago, Illinois, Retired
John L. Dole, Chairman of the Board and Chief Executive Officer, The Dole Valve Company, Morton Grove, Illinois
Gaylord A. Freeman, Jr.,* Vice Chairman of the Board, The First National Bank of Chicago, Chicago, Illinois
Albert H. Gordon,* Chairman, Kidder, Peabody & Co., Incorporated, New York, New York
Robert S. Ingersoll, Chairman and Chief Executive Officer, Borg-Warner Corporation, Chicago, Illinois
John F. Merriam, Chairman of the Board and Chief Executive Officer, Northern Natural Gas Company, Omaha, Nebraska
Leo H. Schoenhofen,* President and Chief Executive Officer, Chicago, Illinois
John V. Spachner,* Chicago, Illinois, Retired

Executive Officers:

Leo H. Schoenhofen, President and Chief Executive Officer
Thomas F. Cass, Executive Vice President
Frederick S. Crysler, Executive Vice President
Carl M. Blumenschein, Senior Vice President and Controller
Harry E. Green, Senior Vice President and General Counsel
Henry G. Van der Eb, Senior Vice President
Paul W. Guenzel, Vice President and Treasurer
Laurence A. Combs, Vice President
Edward K. Meier, Secretary

Divisional Vice Presidents:

Edwin H. Bixby
Ralph B. Busch**
G. William Colvin
Paul A. Graf
Donn O. Jennings
Frank G. Jones
Earl P. Kaufman
Robert E. Phinney
William H. Richards
J. Donald Scott
Everett G. Temple
Lennart M. Ulvaeus
William B. Whiting

Transfer Agents:

Harris Trust and Savings Bank, Chicago, Illinois
First National City Bank, New York, New York

Registrars:

Continental Illinois National Bank and Trust Company, Chicago, Illinois
Chemical Bank New York Trust Company, New York, New York

*Member of Executive Committee
**Retired December 31, 1964

